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JPRS L/10648

8 July 1982

West Europe Report

(FOUO 42/82)



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WEST EUROPE REPORT

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ECONOMIC

FRANCE

BRIEFS

FRENCH TECHNOLOGY IN JAPAN--Mitsui Aluminum Limited has just acquired the license and rights for the Japanese use of an aluminum refining process perfected by [France's] Aluminum Pechiney Company. This so-called "segregation" process was developed at the Mercus plant (Ariege Department) after elaboration at the Voreppe center. The process through segregation controls the crystallization of liquid aluminum and makes it possible to reduce the level of impurities to less than 10 ppm. [Text] [Paris AIR ET COSMOS in French 15 May 82 p 66] [COPYRIGHT: A. & C. 1982] 2662

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ECONOMIC

ITALY

DE BENEDETTI'S VIEWS ON OVERCOMING NATION'S WOES

Milan EUROPEO in Italian 24 May 82 pp 142-149

[Article by Carlo De Benedetti "Let's Invent A New Italy--The Economic and Political Manifesto of Carlo De Benedetti for Ending the Crisis."]

[Text] Are we condemned to a future of inflation and unemployment? No, the vice president of Olivetti says convincingly. And in EUROPEO he issues a challenge to government, managers, banks, and unions. Here it is. Point by point. Will someone accept it?

His curriculum vitae is replete with incomplete experiences: at the head of Fiat, he lasted 3 months; at the head of Banco Ambrosiano, 2. Still Carlo De Benedetti is anything but a capricious and fickle man. For many years now the vice president and largest Italian stockholder in Olivetti, he has led the ranks of the so-called enlightened managers, according to whom the crisis in our country can indeed not be overcome by a return to the overwhelming power of the bosses as exerted in the 1950's but rather by an agreement among the various segments of society for the resumption of development.

This is a road which the nearsightedness of the unions and the deafness of many politicians make impassable and which often has bitter delusions in store for the person who suggests it. Nevertheless De Benedetti persists, intelligent and tireless spokesman for the firm that he is. Moreover, now that Confindustria [General Confederation of Italian Industry] is tending to alter its highly rigid position, refusing to open negotiations for contractual renewals and hoping for an escalator-type agreement, De Benedetti continues to believe in the dialogue method. Only in this way, according to him, can there be reached that major agreement for the development which this country needs.

Just what this agreement should be, who should participate in it, and under what conditions, De Benedetti explains in the pages which follow.

There are fundamentally two nondictatorial methods for balancing a nation's accounts; that is, for governing (which amounts to the same thing). You can put into effect a rational a priori agreement among the segments of society for attaining shared objectives; in this way you end up with a social contract. Or you can allow the balancing to occur a posteriori through the force of economic laws.

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National accounts always end up being balanced, unlike those of an individual firm which can fail. The nation does not fail: if there is one who receives, there must also be one who gives; if there is a creditor, there is also a debtor; and vice versa.

Whenever the monetary revenues--that is, the purchasing power exercised in a given year--exceed actual productive yields, the difference automatically becomes the amount of inflation. When the state pays out more than it takes in from its citizens, the difference becomes the public debt which in the final analysis is a debt the citizens owe to themselves. Inflation and debt are, precisely, the two typical devices for balancing a posteriori.

To get everyone to agree a priori is not easy. There are historical periods when agreement succeeds and others when it fails. In the latter case a conflict over reallocation breaks out; this is a struggle to get more for oneself by taking it away from others.

The conflict over reallocation, which is the opposite of cooperation in production, unhappily characterized the 1960's, in Italy and in the world. In Italy, especially after the hot autumn of 1969; in the world, beginning with the big rises in petroleum prices at the end of 1973. This conflict on the one hand increases monetary demands; on the other hand it hinders and depresses production. It is a creature of inflation.

Agreement a priori is difficult, but as we shall see it is possible under certain conditions. To begin with, you have to seek for it within a time frame which allows enough breathing space. Long-term policies and actions are necessary for providing an answer to so many reasonable demands and social expectations.

The short-term policy, also called anticyclical, is by definition the management of what is already at hand. Therefore, it can perhaps be sufficient whenever things go well for you, but it is powerless in the face of big crises.

The world today is sick of economic cycles. Politicians and statesmen, whose duty it should be to look farther than private citizens, have become more near-sighted. The pursuit of an easily obtained approval of the voters leads them to grant and promise much and to ask little in return.

The explosion of public expenditure derives from the reaction to the great crisis of the past, that of 1929. By now, however, at a distance in time of more than a half-century, public interventionism gives clear signs of having become a habit. The state spends more and more, with less and less effect. And deficits grow; inflation grows; and the room for long-term investment decreases. So a vicious circle is put in motion, one that is hard to break out of.

Debt and Inflation

Public debt in Italy has been promoted as a method of government. Net public credit by now exceeds 250,000 billion lira, more than half of the annual

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national product [gross domestic product; GDP], while in the rest of Europe, the United States, and Japan this proportion hovers around one-fourth.

The state has gone into debt on our behalf. It is as if each Italian family has debts of 14 million more than it is aware of; that is, has 14 millions less in property.

The public deficit in 1982 alone is around 60,000 billion. That is as if each family has spent 4 million more this year than it realizes.

Public expenditure is excessive, not so much in absolute terms as in comparison with public revenue which the politicians do not dare to increase, knowing very well how the citizens at that point would rebel against their way of spending and squandering. There is therefore one who receives and there is one who does not pay; and inflation gallops along at a much greater rate than in any other developed country.

Inflation is not only caused by this system; it becomes indispensable to it. It replaces a priori agreement; however, it can aggravate social disagreement. For this reason then, they try to hide it in a way so that citizens cannot make very precise calculations about what is happening to them.

Inflation becomes concealed in so many ways. It is hidden in delays, in defects, and not seldom in the manipulation of statistical indices. It is held down whenever a rise in public rates and administrative prices is restrained by decree (even if the respective costs of these services rise to a higher level), but sooner or later the discrepancy comes to light.

Inflation is hidden behind the delays in public payments. In spite of the fact that this practice has been presented as an anti-inflationary policy by the incumbent minister of treasury. It is behind the unfavorable position in the balance of payments whenever these reach higher levels each year and indicate that the country is living above its own means. But sooner or later these accounts also have to be settled.

And what is there to say about the reforms which start out as moderate obligations in the first years but then increase exponentially? Like those for pensions, those for health, veritable drifting mines in our economy.

Finally, let us not forget the delays in releasing index figures which at any rate multiply and prolong inflation. Italy unfortunately is the European country with the highest index figure for inflation in reference to national income.

Programming

In order that the alternative method of sensible a priori balancing of accounts can prevail, a social consensus is necessary; that is, an explicit or implicit agreement.

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But an agreement in principle is not enough. It must be effective, with concrete applications to cooperation in production because otherwise, you would find yourself later on with resources too scarce to allocate; contracts could not be honored; and social conflict would break out; and you would have to return to balancing with inflation.

This explains the necessity for national programming which will be the instrument for coordination of an exchange of information at a minimum, thus providing certainties rather than uncertainties, especially at the beginning of public action.

But programming must also be a method for cooperation in production, to unite in objectives which are generally common, and to settle inevitable conflicts of interest within a broader outlook in respect to the roles and responsibilities of each person in society.

I know that this view of programming is not shared by everyone. There are those who, mindful perhaps of the punitive planning displayed at the beginning of the 1960's, would favor programming with more state intervention, the kind which proceeds with orders from above.

Experience, however, indicates that there is no reason to believe that politicians and bureaucrats are more capable than economists.

There are those who would instead prefer absolutely free trade, the laissez-faire system. But this perhaps has never existed. At any rate, it is not suitable for the complexity of present economic conditions.

For the best functioning of the market, today some rules are necessary and the managers must accept them. The rules of the game are an integral part of the social contract. Provided that they are the right rules. It is worth relating, for the benefit of clearly mutual interests, how it works in other countries, the United States for example, which are used to standards more pressing and strict than ours; and these are not made to suit, or changed when applied to, particular interests--as happens too often in Italy.

There must be general rules, well understood by everyone, sufficiently firm but also readily adaptable whenever necessary. They must be rules which can be applied and which are applied.

Pluralist programming and a coherent system of rules are the conditions required for reaching an agreement for development which can work. The 3 years of the three-year plans are not enough for this purpose just as the 5 years of the five-year plans are not enough. We need to plan ahead at least for a decade. Only in this way can we change from an industrial policy which insists on backing the old way at all costs to a policy which promotes the new way and growth.

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Social Consciousness and Development

The firm, it is said, can succeed in obtaining a social consensus only if the firm shows itself to be social-minded in its action. This statement is correct, but its application is often wrong. Here is the fundamental question: what should the social consciousness of the firm be?

To keep outdated equipment, products no longer competitive, and surplus employees who cannot be discharged, this is not true social consciousness. It is wasteful and destructive of national resources. Above everything else, human resources end up being maintained by the community in humiliating ways, and they do not find the courage and means to requalify themselves and get back into productive activity. Then financial resources end up being absorbed through the expense of public assistance and losses of the firm so that they are lacking for investment in production. And the national savings, especially those of the family, are destroyed by this, directly or indirectly.

Moreover, it is not true social consciousness to cause firms to have a loss by loading them up with an excess of demands. Many firms would be healthy and sound, but they cannot make profits because they have been drained by excessive costs in proportion to their respective expenditures in production. The cost of labor in respect to its productivity becomes excessive as do also the cost of money in respect to its yield in industrial activity, the cost of raw materials in respect to the international evaluation of the products they will get for us, and the cost of the state in respect to what it does to assure the smooth operation of our firms.

True social consciousness comes about by multiplying resources. More resources make possible a greater range of choices for the community and particularly for the politicians who govern it. And this range allows for financing a higher degree of social commitment.

From personal experience, I believe that the managers can convince the other segments of society of the necessity for orthodoxy in production.

But we cannot do it with empty words. We need deeds, accomplishments; we need credibility. Credibility is born in effective, careful, attainable programs; from the demonstrated capability of management; from a policy of abundant, truthful, timely information available within the firm and on the outside. Then agreement becomes possible because the proposal to cooperate in the economic development of our country assumes a concrete form.

Possible Development

In Italy we have plenty of room for increasing production. This room--does it not seem paradoxical--has really been enlarged by so many mistakes, so much inefficiency, so much recent waste. There is a vast area between what must necessarily be public--like defense, justice, and the essential elements of public administration--and what really belongs to the firm; and this area waits to be reconquered by managerial reasoning.

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Business methods must expand into agriculture. The agricultural sector has for many years achieved strong increases in per capita productivity, not so much because output increased but rather because the number of persons engaged in agriculture declined. Now, however, the industrial crisis has halted the exodus and the defects in the agricultural productive structure have become evident.

They are defects derived from insufficient attention to economic policy and from wrong policies like the one of the European Economic Community which protects the farmers (that is, the voters) rather than agriculture itself. The EEC's means thus come to be spent for price supports rather than for modernization.

As regards industry, for a couple of years now they have been talking about de-industrialization. This is a concept which really can be valid; but it is valid in the sense that the number of workers engaged in industrial production will perhaps have to decline in relation to the total work force. This percentage is now around 38 percent in the EEC countries and in Italy, and it has already gone down to 31 percent in the United States, the most industrialized country in the world.

But we certainly cannot permit dismantlement of industrial production. It rather should be strengthened and renovated, with the adoption of the most up-to-date technology. There are technologies which in many cases require fewer workers and which offer more added value. It is therefore more correct to speak of re-industrialization.

Jobs should be shifted to a third sector. Let us be clear, however, about what this third sector should consist of. The solution is certainly not to be found in the underemployment of small business, nor in the swollen welfare payments made to public employees.

It is to be found in a progressive third sector. It should consist of highly professionalized and specialized activity with the support of the physical laborers who remain in agriculture and industry. This activity can encompass financial, commercialization, research, and organizational services. It thus becomes clear that the removing of employees engaged in industry to the third sector is more statistical than actual because their accomplishments always will actually be seen in industrial production and in its competitiveness.

If agriculture, industry, and the progressive third sector attain high levels of efficiency, then this will increase the room for social services, health assistance, education, culture, and so many other activities properly required for improvement of the standard of living. But we must truly be the producers who pay for this standard.

Can Italy really accomplish that in a historical restructuring, within her own boundaries and in confrontation with foreign countries? Many persons, viewing the present situation, could be pessimistic. Nevertheless, a study done by the OECD [Organization for Economic Cooperation and Development] in 1979 (therefore,

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it came out after the beginning of our difficulties) assigned to Italy, in the period from that time until the year 2000, a growth potential only below that of Japan. And a very recent European study confirms that between now and 1991 Italy could experience the highest rate of development among the large countries of the European Economic Community. I believe that these estimates are reasonable.

The Italian Choice

Even more important to our international trade situation than the problem of product specialization and also more important than the choice, whenever possible, of our commercial partners, is the choice of system.

Our system is and definitely ought to remain distinctly Western; that is, the system of the open market. The models of the East have by now been rejected even by the Italian Communist Party; and the third way is impracticable because it combines the defects of the market and state planning without yielding their benefits, as demonstrated in our case by the crisis with public industries.

The choice of the Western way is not a comfortable choice. This means that with it we accept the challenge of competition with more advanced and more sensible countries than our own. The West to which we are referring and with which we are confronted is not only Europe but also the United States and Japan.

It is important that the West show in deeds the superiority of the market system to the many countries of the Third World which today are hesitating to make a choice between an uncertain offer of cooperation in production made by the Western democracies and a dangerous offer of military and ideological support made by the Communist bloc.

To be convincing abroad, we must first of all be orthodox at home. We must restore the market and the firm which is our traditional instrument for the multiplication of resources.

We must also leave the proper amount of room for the products of the Third World. We therefore need to shift, at least in part, our products toward packages of more and more advanced technology. The one who stops goes backward; the one who goes forward leaves room for those who follow.

What we need are not only new products, but new methods of production for our most traditional goods as well. These methods of production are necessary and it is possible to build a new consensus at the world level now that the years of the inconclusive reallocation struggle with OPEC have passed. At the zenith of those years OPEC gained a cash profit of 115 billion dollars in 1980, but now is moving back toward an almost even balance.

We must reduce the opposition between raw materials and manufactured goods. And among similar national products promoted in sharpest competition. The successful method is the one of cooperation and integration of production,

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through the successive phases of manufacture and through the supply of complementary products. At the same time, international relations must be interwoven with financial integration in order to bring to life a profit-sharing network which will increase the mutual advantages of cooperation in production.

Competitive Products

The competitiveness of Italian products was very much hurt in the years subsequent to 1969, both by a lower international valuation of our traditional manufactured products in respect to other products like petroleum and also by our specific national mistakes.

From 1970 until today the rate of exchange for Italy has fallen by a good third. In more simple terms, that means that in exchange for the same quantity of exports we now receive from abroad a third less in imports. In that way we have become poorer as a nation. And we should not be surprised that the domestic conflict over reallocation has become aggravated by the need to apportion out among citizens and social classes that kind of tax--the sheik's tax, it has been called--which we have been obliged and are obliged to pay to other countries.

In the decrease of the rate of exchange we find the main cause of the recent difficulties with the Italian balance of payments. If we assume that the prices in lira of exports and imports had remained at the 1970 level, from that date until 1980 we would have accumulated 14,000 billion in credits in respect to foreign countries instead of the 32,000 billion in debits that we now have.

So it is not true that Italy is exporting less. We are exporting badly, products which are lightly valued. To revalue our products is the surest method for increasing development. But the revaluation of national products is a difficult and complex operation which really requires the agreement and cooperation of everyone.

In fact, the competitive factors have changed during these years, the managerial factors and the national ones.

We will begin with the managerial factors. To try to make those products competitive which are clearly sold below cost is not a remedy because that weakens the firm and the national economy. We must succeed in offering good quality products, carefully tailored in respect to costs and user requirements so that the price they bring is remunerative. We need to improve the quality of supplies, guaranteeing reliability and punctuality, taking into account the full range specified in tenders and offering a full line of goods and services along with spare parts.

All that requires a deep-rooted adjustment in the firm. Here then is the most important and comprehensive factor in competition: managerial soundness. A firm today rules its world markets if it has known how to provide a sturdy financial, organizational, and productive structure. And if it has sufficient profits since these are the prerequisite for bringing together funds adequate

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in quantity and quality at suitable cost; for supporting the burden of applied research; for having a reason to invest and therefore for introducing new technology; and for being able to find the best available partners in the world scene.

But the soundness of the firm depends on the cooperative attitude of the two principal factors of production, labor and capital; and we are once again back at the need for a managerial agreement. This depends moreover on efficiency and on the support which the entire nation gives its own producers. And we are returning to the point about the social consensus.

International competition today still is more between economic systems than between individual firms of the various nations. Every defect in law, public administration, financial systems, industrial relations, and social behavior has a bearing on national products, especially when these must be sold abroad or must withstand competition from abroad in domestic markets. Everything in the nation should be efficient. This is the checkpoint of the social agreement which evidently is working out better in Japan than in Italy.

Savings and Financial Arrangements

Particularly in Italy the firm has been hurt by industrial conflict and the struggle for reallocation. If we assume that the particular compensation for the work of every independent worker equals the average for dependent employees, then we can calculate that the percentage of capital in Italy is going to be just in excess of 6 percent of available national revenue. In the rest of Europe, Japan, and the United States, this percentage is double.

From the investigations of Mediobanca of the more than 1,000 principal Italian firms, in 1980 private firms recorded an overall profit of less than 60 billion and the public firms one of less than 2,973 billion. Net self-financing therefore had disappeared in the private sector and had suffered a steep decline in the public sector. So, if we want to go forward, we must resort to financing from abroad.

But in national financial markets the firm is subordinate to the requirements of the public sector. Public deficits of many tens of thousands of billions each year leave very little room for the private sector. In reference to the increase in total domestic credits, the share allotted to the nonstate sector had fallen from 60 percent in 1976 to 35 percent in 1981 and, by statistical paradox, the nonstate sector includes firms in which the state participates.

Italian families continue to save but with less enthusiasm than at one time. Their likelihood of saving in proportion to their revenues has decreased from 26 percent in 1979 to 21 percent in 1981. The state, through its special fiscal considerations, administrative restraints, and indiscriminating offer of a rate of return much higher than the rate of inflation, has turned family savings toward public stocks like the Bot [Board of Trade] and Cct. [Technical Control Center of the National Safety Board] groups. The remainder is almost all going into bank deposits and these are in turn tied up on behalf of the public sector.

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Thus, a little more than 40 percent of bank assets are now going into domestic investment; this includes private firms as well as those in which the state participates in addition to central and local public agencies.

To summarize, family savings which in the years subsequent to 1974 fluctuated between one-half and one-third of total savings, have obviously financed other people's deficits and losses. And therefore they have been false savings, inexistent because they have been lacking in real value so that they too have been doomed for a loss.

The high rates of interest of the present moment should not fool the saver. They will not last long. We remember past experience: according to Bank of Italy estimates, in the period 1970-1980 the actual yield of bank deposits on the annual average was minus 5.4 percent and that of state stocks, taking into account their fall in market prices, was minus 9.4 percent.

This is why the saver must be convinced to involve himself as directly as possible in the development of production. He must risk more by risking less.

This is the crux of the agreement for development. An agreement in which credit institutions also must participate in a more resolute manner. Otherwise their record profits will not last forever, and they will increasingly become teller windows and revenue offices of the public administration. Their credit must become more entrepreneurial, more oriented to investment in production. It must be based less on evaluations of extra-managerial estates and on reading accounting data of the past; and must be based more on an appraisal of managerial capability and entrepreneurial programs.

Given the cooperation of savers and credit institutions along with somewhat less obstruction from the public sector, investment can then be revived quickly.

Human Labor and Capital

Even more striking today is the problem of unemployment. The number of unemployed officials in Italy has reached 2 million, but many others are hidden in counterfeit jobs. Integrated funds regularly paid out are equivalent to almost 300,000 unfilled jobs: many public employees are hired and kept on for welfare reasons; and underemployed positions abound in the independent labor sector; that is, in agriculture, artisan shops, and small business. Where it is less concealed than in Italy, unemployment is explosive. In the OECD countries it has increased from 10 million in 1970 to 25 million at the present time.

Unquestionably, unemployment is a problem of the central government. Unfortunately, however, it lends itself to solution by a direct method; it is so easy for it to become a nearsighted, hopeless welfare project.

The only solution basically, to state it yet one more time, rests in a renewal of development. The employment contract coincides with the development contract. But, as I have reminded you, this requires a continuous adjustment of the production system and therefore more flexibility among the factors of production, labor included.

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I am convinced that, if a greater and more reasonable flexibility of labor is accepted, then in a brief period of time the total number of those employed will increase along with an improvement in quality and stability. This is so because, under the present system, firms guard carefully against hiring more employees for periods when production might increase temporarily and prefer to limit hirings according to the minimum level of activity forecast for several years into the future.

An increase in employment is therefore impossible without a clear and honest agreement. Unions, in particular, are called upon to make a decisive choice: to protect in extreme fashion the employees already under their aegis and thus prevent new hirings, or on the other hand to make room for the youth, the women, and the citizens of the South who are given only marginal consideration under the present system.

Abroad only 3 unemployed in 10 are looking for their first jobs; in Italy the proportion is 8 out of 10, and their average waiting time is appreciably longer. To make the position of a union laborer into a sort of carte blanche for every sort of claimed right has been a serious Italian mistake. Now we have to find the courage to protect employees less so we can protect the citizen more.

A realignment of labor must coincide with a revaluation of national human capital. This is the most precious resource of any country. To build it up requires many generations of technical and cultural maturation; and, when it is built up, we can then survive even the destruction of wars, as Germany and Japan have demonstrated.

In Italy we have succeeded in deteriorating in time of peace through the excesses of guaranteeing everything to too many, of welfare, and of an egalitarianism extended to the point where individual performance is obscured.

Now we must turn back to the prize individuals to find professional ability and commitment. Lacking this prerequisite, the truly necessary efforts for training, qualifying, and requalifying would produce scant results. On this point we must arrive at a convincing social consensus in the interest of all. And there must also be a cooperative effort on the part of the one looking for work, realizing that he cannot stand forever waiting for what Providence will provide. We need for workers to adjust themselves to the requirements of the productive world which has surpluses of certain jobs and scarcities of other specialities.

Then we need for workers to become convinced that further real increases can come about only through development.

In the years from 1969 to 1980 the proportion of available national income going to dependent employees in Italy rose from 56 percent to 66 percent. Along with this "victory," inflation which was 3-4 percent annually rose to a 14 percent annual average and in 1981 it reached 20 percent. The rate of development, which was 5-6 percent, fell to 3 percent on the average and in 1981 it was zero.

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Well then, think about what would have been enough to attain just 1.7 percent more in the rate of development so that the dependent workers could have had what they had had without the necessity of increasing their share of national revenues.

Diverted Managerial Expertise

In our country, apart from how it might appear at first glance, managerial expertise is still alive and vital. But it has been diverted into channels which now and then are not very orthodox, like those of underground labor and tax evasion, like handling the many obstacles to production imposed by legal regulations; and like dealing with the many uncertainties which impede long-term managerial programming. From these things have arisen also some deviations in the speculative or financial sense, to which no blame can be attached but which displace energy from its fundamental task of producing more and better.

Accomplishments of the firm have come to depend more and more on external factors beyond the control of the individual manager. After-the-fact concealment policies have also been applied in firms, helping those which lose at the expense, in the last analysis, of those which are more productive. There has started to grow, for this reason, the temptation to cease being a firm which assists and become one which is assisted. Other dangerous temptations have accompanied the growth in managerial difficulties. For the large firms it is a temptation to change their economic weakness into a political force and to try, along with the rulers, to find particular solutions to their own problems, these every now and then quite removed from the market logic.

For the managers of small firms there is the temptation to become overly business-minded, to enclose themselves psychologically within the walls of their firms, to refuse to grow even when it is possible, and to keep themselves apart from political and civic duties.

Both the above sorts of behavior are wrong. For managers, responsibilities outside the firm are necessary for improving the environment in which we find ourselves operating, to make it more rational not only for our own benefit but also for that of the country.

It is really a tiring task to bring to maturity a modern economic and managerial culture among our citizens and especially in the political realm; to build a new style of industrial relations with workers and unions which is based on mutual credibility; and to effect a difficult but necessary refutation of the welfare philosophy and replace it with a request for support on matters which are legitimate concerns of the country.

This task also plays a part in establishing conditions under which the social consensus around a development project is achieved. For the managers, such a task is a professional duty just as it is a professional duty to be prudentially optimistic.

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POLITICAL

FRANCE

POLITICAL, ECONOMIC SITUATION EXAMINED AFTER YEAR

Rome MONDOPERAIO in Italian Apr 82 pp 53-57

[Article by Michel Mathieu: Mitterrand, a Year Later]

[Text] The falling-off in leftist votes in the local elections marks the end of the honeymoon between Mitterrand and the voters, and the beginning of a phase of difficulty and uncertainty. One of the earliest difficulties to arise stems from the lack of synch between the old opposition mindset and that of a government that has yet to settle into its definitive form. Other weak points have to do with its marriage of convenience with the communists, not to mention the actual content of its economic policy, still wavering between orthodox Keynesian positions and creeping monetarism.

It was evident that the sails would not be swelling quite so proudly and that navigation would be a bit more tricky after a year of the socialist experiment in France. The first signs of rough weather ahead came with Peyrefitte's victory in the first round of elections for seats in Parliament, and the local elections in March confirmed the guarded prognosis. The veil of mist that envelops the capital has wafted even into the corridors of power. No, Jacques Attali cannot see me: he has no time to give to reporters before next month. In Michel Rocard's office over on the Rue de Varennes, everybody is busy, but the prevailing tone is one of prudence. I am permitted to speak with Michel Rocard, but the minister for planning and territorial management is the man who answers my questions (see interview, next). Is this the same man who erupted onto our television screens on the evening of 10 May in '81 to summon all of us to meet at the Bastille?

Though that historic date upended the order of preference and our long-held feel for the direction of relations between the "social parties," it has also gradually altered the pattern of discourse between the left-wing parties and their leaders now ensconced in government. The men themselves have also had to change their ways

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-- and some have not done it quickly enough -- and shift their rhetorical gears from the opposition mode to the loftier levels suited to government ministers. This, for that matter, is what the French were asking for, particularly the voters of the center and left-of-center, who were deeply troubled during the early months of Mitterrand's 7-year term by a public style that was anything but presidential. Even today it is clear that the style and the codes of rhetoric and behavior of the new majority are not altogether to the liking of that portion of the electorate.

Who Were the "Bolters" in the Local Elections?

Who, socially speaking, were these voters in the crucial "swing" sector who deserted the left once they entered the voting booths? The finger has been pointed at several categories of workers, at the elderly, at the wine-growers, the farmers, the young, and at management. Some of them abstained, others changed sides. While some communist voters stayed away from the polls, others, probably pro-Chirac supporters who voted for Mitterrand in order to defeat Giscard, took their places at the ballot-box. According to Serge July (managing editor of LIBERATION) and Pierre Rosanvallon (see interview, following), the poor showing in the local elections is unquestionably attributable to this "rejection front." Why, though, did only a tiny remnant of this ad-hoc electorate stick together?

Jean Daniel has the answer: "In the euphoria induced by their state of grace, whenever a problem arose they took shelter behind the contract that was established by Francois Mitterrand's 'mandate' from the voters." Just who was it that signed this contract with the president? "Euphoria was still running high, and they decided that it was the majority of the voters who had signed, that at long last they had come down where the so-called sociological majority was, totally overlooking the real majority determination to get rid of Giscard."

But, in order to explain the situation as it really is in France right now, we must allow for the paradox inherent in this marriage of convenience between the socialists and the communists. It must be remembered that one of the rationales behind that marriage was the determination to weaken one of the partners -- the Communist Party -- which was all that stood in the way of the victory of the left. More than a million of the PCF's electorate voted just a year ago against Marchais and for Mitterrand in the first round of the presidential elections. Once the socialists pulled off their triumph at the polls, they no longer needed the communists, yet they strengthened their ties with them, undoubtedly so as to guarantee labor peace for a while, or to weaken them still further by bringing them into the cabinet. The entire rationale for weakening the French Communist Party, though, collapsed, in part at least, with the returns from the local elections.

In the unstable climate of the socialist left there is, furthermore, the "culture party," whose positions have not always been

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taken seriously by the government, at least at first. It is a party made up of students, professors, university people, research workers, executives or cadres, whose function is to spread and generate ideas. This is the party, for example, whose counterpart in the United States shouldered responsibility for a decisive struggle to end the war in Vietnam. In France, it has busied itself of late years brainstorming strategy for a break with capitalism and for a break with totalitarianism. That led to the discovery that capitalism, blamed by the classics of socialism for alienation (Marx), imperialism (Lenin), and war (Jaurès) could in fact be reconciled with democracy better than could so-called real "socialism."

Paul Thibaud's analysis is similar to the one Jean Daniel gives us. He perceives a policy open to social reality, in which the adversary is also the subject of a human experience that must be recognized. "There are in France right now," he says, "the conditions we need for the socialists to gain some maturity in government, and for a creative co-penetration with the facts of life today." As evidence, he cites the shrinking audience and prestige of the French CP, the ebbing of dogmatism in leftist culture, and the very nature of a crisis to which there are no simple answers, but which unequivocally calls for a pluralist mobilization of different social energies. "Politics, particularly the way the socialists play politics," he complains, "is not favorable to any evolution in that direction." The reaffirmation of the present majority at the Valence congress," he adds, "came about with a decision to stand pat on a do-nothing strategy." Even so, aside from the party's internal squabbles, there are those who argue that when the government drapes itself in the cloak of socialist orthodoxy, as it did in its platform, or when it confines itself to a "penny catechism" of republican values, as in the president's public statements, it is in danger of failing to act in the context of a modern culture, one that responds to the needs and desires of French society today.

Criticism of the Intellectuals

The government is not solely responsible for this rejection. The languorous pace of the ongoing debate over the thrust and instruments for reform action also reflects the crisis in social thinking in France, the impasses or the shortcomings of intellectual thinking on this point. This disarray among many segments of the intelligentsia with regard to social action perhaps explains why there has been such a dearth of critical opinion and proposals from them in the press. What we can glimpse, though, is a deep distrust of a leftist government that has refused to pay attention to criticism of statist and productivist orthodoxy which a great many French intellectuals have long been proffering. If, after 23 years of opposition and exclusion from the life of the state (from 1958, the year of de Gaulle's coup d'etat, to 1981, the year of Mitterrand's election) the men now in government have encountered major

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difficulties at first in bringing their behavior and their vocabularies into consonance with their new responsibilities, French intellectuals, on their part, have experienced problems of their own in overcoming their atavistic suspicions of the state, whatever its political coloration, and have kept their distance for a wait-and-see interval that has indeed dragged on too long.

Many of those who had centered their political thinking on a criticism of totalitarianism, and who never flagged in inveighing against the /union of the left/ for socialist complacency toward the Communist Party, found themselves caught off balance after Mitterrand's victory at the polls, and what made it all the harder to stomach was the fact that nobody really believed it would happen -- not even the FSP itself. Ever since 1968, there has been a steadily widening gap between the FSP's leadership's commitment to the joint program with the FCP and the intellectuals who, after Prague, have been critical of totalitarianism. "I'll give Mitterrand 6 months. I won't bother him at all for that long," was the presumptuous indulgence Claude Mauriac offered on the morning after 10 May 1981. "The pace of intellectual research," observes Serge July, "came from a different drum. [The intellectuals] stayed out of the issue of the central government, except maybe Foucault who has been working for years on an analysis of the techniques of governance. The left did not rise to power in the wake of a ferment of ideas, but climbed there over what was left of the inherited panoply of the Sixties' structural reforms. "It is equally true," he adds, "that for more than 20 years the voters held back history and that, despite the French and international crises, simply stood there and would not let it pass.... The intellectuals were wrong again when, after the French CP campaign against immigrants and the clamor against drugs, they believed that Poujadism had given the CP a whiff of oxygen. That campaign, though, turned out to be a catastrophe for the communists. A good chunk of their electoral support bolted to the socialists."

The Reform Debate

While the intellectuals were reacting as they always do to any change, with attentive skepticism, Mitterrand was launching his string of reforms. The phenomena that had fostered the emergence of the "broad consensus" were behind him: the death penalty was abolished, as was extradition and the expulsion of the immigrant workers, while the president's stands on the Soviet super-rearmament and on the Third World evoked resounding international response. And yet, the atmosphere gradually grew a little muggy. While, on the one hand, the president's intuition, which allowed him to broaden his area of support, was intact, on the other hand there was growing indifference to any project emitting even a whiff of utopian visions. In this sense the Italian communists are wrong when they say that Mitterrand won by following a "third road."

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Even though the honeymoon may be over between the government and the socialist electorate, this is due not so much to the pace of its reforms, as one might assume from the Mauroy-Delors feud, as to the very content of the reforms. Did the government perhaps waste a lot of effort over nationalizations when the prize at stake was something else? According to some observers, these reforms don't affect anybody directly, given the fact that, even before this latest round of nationalizations, France had an economy in which credit was strictly regulated and was never granted without the consent of the state, even in the case of the private banks, while the state was guaranteed decision-making power on the boards of directors, thanks to its 51-percent share holdings. Many perceived the nationalizations as simply reflecting socialist determination to give the lie to those who charged them with not being true leftists and to prove that they had the courage to bring down the money power. Pierre Rosanvallon attributes some pedagogical virtue to the nationalizations vis-à-vis the unions, which were thereby forced to take the state of the economy into account in their policy decisions, something that hitherto had been left altogether to the discretion of enterprise.

Over at the CFDT, though, they make no secret of the fact that all eyes are looking in other directions, that socialism will come to pass when the workers have a say in corporate decisions, or that the final goal is worker-management. According to Edmond Maire, however (see separate interview), these demands for equal voice in decision-making go beyond the bounds of individual corporations to invest the global management of the French economy: "If it is decided that the union represents labor, and that it must confine itself to labor matters, then our country will be depriving itself of the means it must have to regain economic soundness." And he adds: "If the unions are not made part of the debate on industrial policy right now, we shall be depriving whatever plans we make of a dimension derived from labor's experience, but also of the talent for innovation and leadership of our wage-earners as a whole."

The government does not seem to be insensitive to this new request from the unions and the Aurox bill on the authority of worker-management bodies within the corporations, which will come up shortly for debate in the National Assembly, will tell us how far it plans to move in this direction. Industry, meanwhile, is bringing pressure to bear in order to hold outside influence to a minimum in a field it considers its own turf. The cadre union (CGC) is making a big issue of it, and calling urgently on all its membership to close ranks solidly against what it sees as an assault on its own decision-making prerogatives: "The challenge to our specific representative character, the creation of plant councils, and the institutionalization of the political debate in the nationalized corporations will lead to a destabilization of the hierarchy and put in question yet again the function of middle-management workers." The bogeymen of "people's commissars" and the "dictatorship of the

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proletariat" are being brandished once again amid a rising tide of rhetoric that has got out of hand and is beginning to perceive an anti-CGC "plot" on the part of Mitterrand himself.

"If things go on like this," threaten Paul Marchelli and Jean Menu of the CGC, "we shall be forced to resort to the same methods the farmers did, unless the cadres agree to be silent hostages of the workers' organizations."

The tone, one senses, is considerably shriller than that surrounding the nationalization debate, which, aside from a few tactical skirmishes by a rear guard of CONSEIL CONSTITUTIONAL, was relatively well received. Basically, what is at issue here is an old republican tradition to which de Gaulle himself bowed his head -- witness the first measures he took when he took office. Even though the appointment of communist Georges Valbon to head Charbonnages de France, while it was a surprise, went unchallenged, the outcome of the local elections, combined with all the pressure on the franc, have generated increased interest in and, in places, a massive loss of confidence in the French economy.

'Twixt Keynes and Friedman

What people fear most is a resurgent pro-monetarist offensive that began with the advent of Raymond Barre, during the Giscard era, at the finance ministry. The danger is that the left, traditionally the target of charges of managerial incompetence, might find itself put on the defensive again.

The press shows that the French are sensitive (either pro or con) to such social changes as affect such minorities as the immigrant workers, the elderly, and prisoners, but they do not forget that the socialists were put into government to alleviate social inequities, yes, but also, and most importantly, to reduce unemployment and get the economy going again. It is not beyond the realm of possibility that a particular kind of voter cast ballots for the socialists in order to get a labor truce and a breathing space while the courts are swamped with bankruptcy and foreclosure cases. Once Giscard's failure became evident, perhaps the socialists looked like the best bet to make labor behave more responsibly and to get legislation passed that would have triggered protest, coming from any other source.

The fact remains, nevertheless, that the fog surrounding the finance ministry's course is a source of mounting concern in France and abroad. Something of a "Barre-man" in his call for regaining France's competitive edge, Delor's handling of the economy is at the same time Keynesian in its recovery goals. Economic recovery is very sluggish in getting off the ground, even so, witness the stagnation in sales and the accumulation of defaulted notes, while the tight strings on bank credit are proper to the wholly opposed logic of monetarism. Keynes' prescription for a case of recession and rising unemployment in fact called for a deficit in the public

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budget combined with redistribution of purchasing power for the benefit of those hardest hit by the crisis.

Economist Roger Priouret has pointed out, however, that those who applied this remedy did so in a situation in which prices were contained. The most recent large-scale test, Helmut Schmidt's in Germany (1976-1981) came during a period of contained inflation (5 percent). Priouret is therefore concerned at the risks the Mauroy government is running in implementing this policy in a country where the inflation rate is running at around 14 percent. The budget deficit, on the other hand, although it looks pretty big at 95 billion, is still less than half that of all of Germany's state-owned companies in 1981. Income redistribution thus far has been limited to the neediest, and this year will be somewhere on the order of 35 billion francs. According to Keynesian orthodoxy, the money supply, or the sum total of means of payment created by the issuing institute and the banks, should grow at a rate that enables industry, business, and consumers to buy the surplus production (3 percent) forecast at the increased prices (13 percent) forecast.

"It would therefore be logical," Priouret explains, "for Treasury Director Jean Yves Haberer to ask the economy and finance minister to increase the monetary mass by an amount equal to the sum of both those figures, or 16 percent." And this is where the traditional monetarist prescriptions of Friedman and the Chicago School come in, according to which the only way to regulate the economy is by controlling the money supply: increasing it if the economy is recovering, and tightening it if the economy is slowing down and the rise in prices slows. The pragmatists, though, buy only part of the doctrine: reduce inflation by putting a cap on the money supply growth somewhere below the needs of the economy. It is in this spirit that Renaud de Lajeunière, governor of the Bank of France, suggested that Jacques Delors fix that ceiling at 12 percent in 1982. Jean Yves Haberer argued strongly for the 16-percent view. Delors split the difference and decided on 13 percent: a ceiling markedly below that called for by orthodox Keynesian policy standards.

Roger Priouret points to another contradiction in the allocation of credit, which has gone to further labor rather than industrial goals. Control of the money supply leads to a tightening of credit and to control over its allocation. In France this logic has taken on the rigid form of an allocation system that establishes in advance for each half-year period and for each lending institution, the percentage of additional credit it may extend. Jacques Delors has given a slight edge to export (up 14 percent), which is to be expected, but housing construction did a lot better (up 14 percent). For the commercial and business banks the total increase is just a hair over that for 1981. The big losers are the finance institutions that practice leasing (lease-sale of plants or equipment for industry and business), whose percentage increase in allowable lending is lower than it was in 1981. Logic would argue

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that in a time of technological changes, and in a country that has a lot of catching up to do, industry would be favored over housing construction (which, be it noted, is not nearly so sore beset as that industry is in Italy). In 1946, Jean Monnet had to make that cruel choice because France's industrial production apparatus had to be modernized at all costs. Roger Priouret thinks that this hard choice will come back to haunt us.

Chirac's Scarecrows

Politics, economics, culture. The outside observer finds it hard to find his bearings amid the light and the dark. The change has come most visibly, in French daily life, on the television screens. There has been a shift from TV at a fairly low cultural level but quite popular, to TV that rightly pursues educational goals. The change has been too abrupt, though, and not very balanced, and the upshot is that viewers are now offered programming that many see as "boring" and "half-baked." The right wing, which up until the local elections had been licking its wounds and trying to get some kind of image back, did not miss the chance to lash out at a government that basically offered very little to laugh at. But it is precisely these countless minor missteps that have somewhat dimmed the government's image.

Other more serious errors of a direct political nature have sown some more serious doubts, such for instance as the bill introduced by communist Health Minister Jack Realite, concerning examinations for hospital interns, which was so complicated that it sent all hospital personnel, from the right as well as the left, out on a general strike that ended only when the bill was withdrawn. Clumsy moves like these, in addition to projecting the image of a government with advanced degrees in creating confusion, hint at a failure to get together and to communicate with the people most concerned, quite ill-suited to the spirit that ought properly to inspire a socialist government. It is unthinkable that the government go on handing ammunition to its detractors on a silver plate when the latter are basically reduced to making point by point answers on minor issues.

When one stops to think calmly, one can say that the government has stuck to its program practically to the letter, without coming anywhere near the catastrophes prophesied by the right. Even today, though, the right has not managed to update its orientation enough to be able to propose solutions that respond to present-day needs. Instead, it wallows in anticipation of disaster and verbal terrorism, doing its best to magnify every minor misstep the government makes, or raising its voice, as it did over nationalization, against the tribute paid to "ideological and doctrinal rites." Chirac, meanwhile, never wearies of waving his raggedy scarecrow before the eyes of the French, telling everybody who will listen never to doubt for an instant that "the French socialist leaders or socialist voters want to put our freedoms in doubt, while the system and experience prove that wherever socialism has been tried, it has invariably led to an impoverishment of the economy." Chirac is very

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wary, right now, of sharpening his analysis enough to get into any technical detail.

There are still 6 years left in Mitterrand's term, and the president intends to make the most of them. Hence the reserve that surrounds his economic policy.

As I wait to get back on the train for Rome, the evening papers have banner headlines announcing that unemployment has dropped below the 2-million threshold, while pressure on the franc is easing. And the government is back-peddling, postponing repeal of the Peyrefitte Act on public order, hitherto viewed by the socialists as too restrictive on civil rights. Is this a change of course, or the result of the local elections? It is no isolated event. The plan to set up information offices for administrative decentralization has been postponed indefinitely. And finally, the latest cabinet meeting decided to spread implementation of the transfer of state control to local jurisdictions over a 3-year period. Amid the lights and shadows, the Mauroy government is still sending a message of instability.

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POLITICAL

FRANCE

ROCARD, MAIRE, ROSANVALLON ON GOVERNMENT POLICIES

Rome MONDOPERAIO in Italian Apr 82 pp 58-62

[Interviews with Michel Rocard, Edmond Maire, and Pierre Rosanvallon, by Michel Mathieu]

[Text] In Paris, as part of our survey of a year of socialist experience in government (see preceding article) we interviewed Michel Rocard, minister for planning and territorial management; Edmond Maire, secretary-general of the CFDT, a labor union with close ties to the PSF; Pierre Rosanvallon, university lecturer, Socialist Party activist, and author of "The age of Worker Management (1976) and of the just published "Crisis of the Welfare State".

Rocard: The Spirit of the Plan

[Question] A provisional economic plan that calls for a strategy to put the unemployed back to work has been introduced, What are your goals, and how do you plan to reach them?

[Answer] The goal is a modest one, but basically an ambitious one, since it calls for the creation of 400,000 to 500,000 new jobs in the next 2 years. This will be possible if we get economic growth rolling on new tracks, solid and more stable than the old ones. We are shooting for a 3-percent annual growth rate for 1982 and 1983. Among our first concrete measures we have already increased low- and middle-income consumption by restructuring the minimum wage (SMIG) and several social services. At the same time we have sought to compensate employers, at least in part, for the cost of these new tax burdens. The recovery in family consumption is already visible. And this tells us that we are on the right track, since it will certainly have a salutary impact on business. Barring a clumsy error on our part, the consequence should be an incentive to investment, according to the logic of the plan. As for unemployment, we have already crossed that 2-million-job threshold: this is just the beginning of the way back up.

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[Question] In an open economy, the domestic economy is exposed to foreign competition with direct impact on the nation's balance of trade. What is the plan's specific thrust in this area?

[Answer] There are two key thrusts to the 2-year plan: an ambitious program of energy conservation, investment, and research in the field of new energy sources, and a strategy for winning back our foreign markets. Here the public sector, expanded through nationalization, has girded itself to make a critical contribution to the achievement of these industrial expansion goals. The nationalized industries will in fact play an essential role in the basic and advanced technology sectors, but they will continue to be subject to the normal rules of competition, and above all to the laws governing commercial corporations. Their heads have full administrative autonomy. Relations between them and the state as shareholder have been formalized in a contract under which their access to financing, and especially their access to public subsidies, is subject to the same rules as apply to all other corporations.

[Question] Don't you see a conflict between planning and decentralization?

[Answer] Anybody who adduces that argument displays his indifference to freedom and to the rights of local jurisdictions, not to mention his own inability to shake off an authoritarian and centralist view of planning. For my part, I remain a convinced advocate of the soundness of regionalization and planning as the way to orderly implementation of reforms. After all, it is planning that will, in the long run, make sure that decentralization will not turn into a witless scattering of effort or into exacerbation of personal selfishness, but that the priorities laid down by the national government will meet with compliance at every level. Without decentralization, the planning process would very swiftly wind up as a standardizing, many-tentacled octopus, which would, in the end, eat away at and finally destroy the very liberties it set out to expand.

[Question] Obviously, you are talking about a democratic plan and democratic decentralization processes. How do you plan to make democracy work?

[Answer] As we have planned it, decentralized planning rests upon two principles: pluralism in the levels of elaboration and implementation of its decentralized patterns, and in clear-cut contractual relations between the state and local jurisdictions and between the state and individual enterprises.

[Question] Your orientation, then, aims at achieving a synthesis of regional plans?

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Our aims reach farther than that. In order to respond to our regional aspirations and the needs of our time, the plan must allow for the strategic necessities in the economic and industrial field, but it must not neglect the cultural field, either. Let me explain that. Regionalization as it is incorporated into the plan responds to a threefold need: economic, which roots the planning process in the life of the local community, embodied in the people most intimately involved in its development -- its elected officials, its unions, and its business community; the social requirement, which is one of respect for local history and identity, which is all too often crushed by economic development, and for human and social groups; and then there is the political requirement, which is to pin our faith on the broadest possible input into formulation of the plan, perceived as the area of social compromise and as the vital tool in the nation's dialogue with itself.

[Question] What relations will you establish with business and industry to achieve this broad consensus and that self-reliant development that is to result from it?

[Answer] I have already mentioned contractual relations. The plan is a mandatory transition that will allow our society to relearn to negotiate with itself. This, however, will mean that all economic and social parties must be better represented in the planning process, and that there be a healthier relationship between the government and all portions of society in determining the guidelines for our nation's future. A multi-year plan implemented by the government cannot be brought into question after the fact by the machinery of economic fine-tuning or by the requirements of the annual budget.

Maire: Criticism from Organized Labor

[Question] There is a lot of uneasiness on the labor front. It would seem that the government, among its other omissions, has yet to come up with any specific blueprints for implementing the 39-hour week.

[Answer] It is a long-standing French tradition to blame the state or the government whenever anything goes wrong. The issue of the 39-hour week is the best example you could have found. The 39-hour rule is sound not only in principle, but in content. It governs what is within the authority of the state, and nothing more. It is not up to the state to impose specific shift-lengths on every company. It is not up to the state to lay down the rules under which a company may or may not create new job openings. The employers resisted implementation of this rule, and that gave rise to various and sundry attitudes in labor. Some of us, perhaps too many of us, asked the state to intervene even more heavily-handedly, to spell out the impact of the entire maneuver on the length of the work-week, thereby cutting the ground out from under both parties, particularly the unions, in that everything would be handed down from on

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high, and we could take our own sweet time about arriving at a solution for every problem. That is not possible.

[Question] The 1985 target for the 35-hour week is still on the agenda for the unions as well as for the government. Do you think the government will see to it that you get paid for those unworked 5 hours?

[Answer] Absolutely not. I have just finished a second reading of an interview with Jean Auroux: the labor minister said that the 35-hour week cannot be achieved without some modification in the distribution of incomes and wages. We shall take a harder line on the issue than the government does. We cannot accept the notion that in order to get to the 35-hour week we must accept a wage cut. In addition, there is going to have to be tax reform that hits the higher income brackets. France, when it comes to taxes, is still the most unfair of all the industrialized nations.

[Question] One gets the impression that the CFDT has recently stepped over the boundaries of its union role to enter the political lists.

[Answer] French political tradition still does not admit organized labor's full responsibility in society. The unions are recognized as qualified spokesmen only in the area of labor relations, less so in the economic field, and least of all when the issue is a plan for the overall development of society. The political parties tend to consider themselves as the sole protagonists in any strategy for social change, and to relegate the unions to do nothing more than stand up for their narrow interests. This conventional view is wrong. It takes no account of the many kinds of progress that could come from a plurality of ideas and approaches to social change. And it could cause a great deal of controversy in relations between the government and the CFDT. But, after all, these are problems that will be solved when the action begins, not while we sit here theorizing.

[Question] When you say 'action,' do you mean real participation in the decision-making process and in corporate management?

[Answer] If the role of the unions is limited to the labor turf, our country will be robbing itself of forces that are indispensable to a restoration of economic health. If the unions are not summoned, as of now, to talk about industrial policies, any plan they may come up with will be deprived of that dimension that stems from labor's experience, from its innovative potential; it will be deprived of the innate responsibility of plant cadres above all, but it will also lose that quality among the workers themselves. They have worked out a plan for the steel industry without even bothering to consult the unions. And we could say the same about the plan for the textile industry, or the plan for getting the

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housing construction industry moving again, This myopic vision of organized labor's role is a mistake, not just on the part of the employers, but on that of the French administration, no matter what its political coloration may be,

[Question] The government consulted you on several points, none of them minor issues, certainly, such as social security reform, on which the government had to face strong opposition.

[Answer] We are pleased that the government is sticking to its guns, despite opposition from business and industry. In spite of the difficulties, there will be reform providing for elective choice of top social security officials. There you have an example that moves toward worker-management. It has not been easy, though. The government sometimes gives the impression that it is following a zig-zag course, that it is promising more than it can deliver.

[Question] Just recently you urged the government to pursue a policy of financial toughness. That's fairly unusual for a labor union. How do you explain this attitude?

[Answer] We have no love for austerity as such. But we do believe that the worst of all risks would be economic, monetary, and financial breakup, partly because it would be the workers, the elderly, the families that would have to pay for it. And, of course, the main thing in France today is to demonstrate that the left can administer and govern the process of change.

[Question] Yvon Gattaz, president of the Businessmen's Federation, sees the 35-hour week and the fifth week of paid vacation as an additional cost to the nation, and as refutation of any policy of fiscal toughness.

[Answer] The president of the CNPF is putting out slogans equal to and contrary to the glib shibboleths making the rounds in union quarters, such as "The bosses can afford it." Last month, speaking at the Press Club, he argued that French business is taking a nosedive. True, the number of bankruptcies did increase last year. Right now it is visibly declining. The problem, however, is not one of increasing business profits indiscriminately without any checks, but one of coming up with a selective policy, business by business and sector by sector. An industry policy, in short, one that is consonant with French tradition, but with a new element in its makeup: an equal voice for the labor organizations in the decision-making process. If business and industry can hear out of this ear, we are ready for dialogue.

[Question] If Parliament passes the bill granting freedom of political expression in the plants, isn't there danger of confusion that would be prejudicial to the consistency of labor action, a degree of competition that would be, at the very least, troublesome?

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[Answer] Let's turn the problem around. It took almost a century for the labor movement to achieve, in 1968 at long last, recognition of labor's right to maintain a union presence in the plant. Now, with no sweat and no struggle, they want to decree from on high that freedom of political expression be assured in the workplace. Maybe it merely means encouragement for the Communist Party in the plants, where it is already firmly established, with the risk of proliferation of political or para-political associations under the thumb of the employers. Let's be frank about it: the neo-Gaullists seem to be in a good position to profit by these new opportunities. With the risk, of course, of a revanchist policy and of a troubled and confusing coziness with the CP's plant units. And the upshot would be a denagogical challenge to the very financial restraint we were just speaking of. It's foolhardy to pass laws without first knowing how you are going to cope soundly with the consequences of legislative innovation. Having said that, the CFDT is not opposed to the principle of political units in the plants. It merely puts government on its guard against the risks that the introduction and expansion of their activities could lead to right now.

[Question] The franc is under heavy pressure, and inflation has not slowed, despite the fact that the nation's oil bills are somewhat smaller. Are you ready to do as the German unions have done, and accept some sacrifices in purchasing power?

[Answer] France's difficulties are bound up with Europe's. Mitterrand has only just informed us that he intended to put the question of jobs in the center of the Communities' agenda in the next meeting of European finance and economy ministers. But, above and beyond this necessary international action, an economic recovery policy requires something quite different. We have no desire to wake up some fine morning to find ourselves faced with tragic options. Proper governance of change also means not hanging back whenever an obstacle comes up, and saying that we'll pay the bill later. What we want, beginning right now, is a policy of fiscal rigor, in which everybody does his part according to his means, his influence, and his power. The CFDT is not the only voice in organized labor that talks like this. There is no dearth of signs of broader responsibility among the workers and their organizations.

[Question] How do you, as leader of the CFDT, explain the decline of the left-wing vote in the local elections, coming so soon after the landslide of 10 May 1981?

[Answer] Since then there have been a lot of illusions as to the demiurgic virtues of political power. The present majority, in and of itself, was the source of these illusions, at least in the sense that throughout the entire period of the joint program, all it took was a good showing at the polls to make people believe that it was possible to implement that program. The new embodiment of political power, though, looking at the deadlines that confronted it, inevitably began to modify its approach. And it's a good thing. It refused to settle every issue with new laws, but instead restored

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some breathing space for negotiating and bargaining among the social parties. It shed bright light on the real limitations of any political act in a given domestic and international economic situation. This is a prime cause of the difficulties. The second was Poland. Everybody knows that the socialist-communist alliance in the cabinet was already fragile as of 10 May 1981, after a long period of dispute. But then at the end of 1981 we all became aware of the diametrically opposite positions of the Communist Party and the Socialist Party. This certainly weighed on the coalition: and we saw how heavily it weighed when the returns from the second round of local elections came in. The third cause was a question of style and substance simultaneously. The government's ambitions were perceived as numerous, but its accomplishments negligible by comparison. The fact is, though, that the government now seems to be concentrating on more clear-cut but more trenchant goals, seeking to find essential rather than cosmetic solutions, and that looks like a change of course.

Rosanvallon: The Entropy of Reformism

[Question] How do you define the social measures of the present government with reference to the two basic scenarios of our day: the statist and the liberal?

[Answer] A statist orientation today would encounter major financial difficulties, but above all it would run into widespread social resistance, which would be difficult to overcome. One might point out that the tax bite in the Scandinavian countries has topped the 50-percent ceiling, and deduce from that that we have yet to reach the outer limits of "tolerable" socialization. In a state of sluggish growth, though, that comparison makes no sense. Something really big would have to happen to enable the welfare state to grow without matching growth in anger and resistance. It would take an event stunning enough to catalyze a collective will to give meaning to any strengthening of the redistribution machinery. As prisoners of the contradictions inherent in the statist social scenario, we should be witnesses to the multiplication of the perverse effects that have come with the expansion of the submerged economy and moonlight work, and the increasing segmentation of the labor market. Creation of a dualistic economy and a dualistic society is actually the self-defense compensating machinery that society has devised to slow the expansion of socialization and to contain its costs.

The liberal scenario produces more immediately visible effects. It automatically implies new dimensions for the redistribution policies. It is a socially regressive scenario, which assumes a strong state, ready to deal with any discontent that may surface. It is, basically, a scenario that has meaning only in the cynical perspective of a social coalition consolidating its power bases to the exclusive advantage of the weakest minority in the population.

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Both these scenarios are unacceptable for various reasons. Both are based on assumptions of the finite nature of social development. Neither contemplates the possibility of new needs' emerging in the years ahead. The welfare state is a form of reinvesting the economy in society to make up for the negative effects of the market.

[Question] The trouble with the welfare state lies more in the manner of reinvestment than in its basic principle. How can that be remedied?

[Answer] There is no other way than to bring society closer to itself. We must make it denser, thicker, multiply the bonds that tie one portion of society with another, get individual citizens back into circuits of direct, one-on-one solidarity.

First of all, we must clear up one basic misunderstanding: that of the utopian community, according to which individuals make up a kind of extended family that is all but self-sufficient. It is disconcerting to note that the alternative to the market-based society or to desocialization is often perceived in this nostalgic form. The methodological distinction between the organic community and the individualistic society has wound up as a value judgment. We cannot go on dreaming of the new family hearth as a means of offsetting market-based socialization.

This being the case, how do you go about reconciling the emergence of new statist patterns of solidarity with the desire for autonomy? There is no theoretical answer to that question. The problem is not one of identifying an ideal -- of the sociological type -- that would be neither the community nor society. The prime condition for the propagation of the "social instinct" is increased leisure time. The less free time people have, the readier they are to call on the state to intervene, and the more eagerly they turn to consuming what the market has to offer. Viewed from this angle, reducing working hours is no longer merely an economic requirement linked with reducing unemployment, but it becomes the necessary condition for learning new patterns of living. This process of bringing the society closer to itself is not therefore to be taken in the narrow sense -- such as reconstitution of static and closed micro-collectivities -- but, on the contrary, must come through the multiplication of temporary or limited membership, "belongings." The idea is not constriction, but rather expansion of the freedom of each individual.

[Question] Let's get down to more practical and immediate problems. How do you explain the disappointing outcome of the local elections?

[Answer] Don't forget that a lot of people voted against Giscard, rather than for Mitterrand in the presidential elections. But it is not only this. Another important factor is that there is a kind of entropy at work on reformism in France. As we have seen, you

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need a mobilization -- financial, legislative, and political -- of considerable intensity to achieve what are basically fairly modest concrete results. French reformism operates something like a thermodynamic engine, which means that there is a problem of what you get for what you put out. And in fact there is this element, this opacity in our reforms, in the discontent of a portion of our population.

[Question] Doesn't this loss of the government's popularity cast a pretty threatening cloud over the 1983 municipal elections?

[Answer] That is what a lot of experts are afraid will happen. But we mustn't forget that there are also some positive factors in the French equation, such as the slowed rate of inflation and the levelling off of the unemployment rate. On the evening of 10 May 1981, very few of the government's experts thought we could reach this goal in 1982. From the point of view of economic success, the crucial turning-point will come when they write the 1983 budget. You can devise scenarios, and you can advance hypotheses, but the moment of truth will come with the decisions that must be made on the future of our social security system.

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POLITICAL

SPAIN

NEWLY ELECTED PSOE'S ESCUREDO REVEALS AUTOBIOGRAPHICAL DETAILS

Madrid CAMBIO 16 in Spanish 31 May 82 pp 31, 33

[Report on interview with Andalusian President Rafael Escuredo; date and place not specified]

[Text] He is 38 years old, of sound bearing, and is the first president of the Andalusian people. In addition to winning their votes, in recent years he also won the hearts of most Andalusians.

"Son, my arm," Andalusian mothers greet him in passing. After a triumphant campaign throughout Andalusia that restored the political illusion of other times to the inhabitants of his land, Rafael Escuredo, at the head of his party, and without having to await the election foreseen in the Andalusian parliament, has become the first president of the recently established Andalusian autonomy.

He was born on 20 February well after war's end in the town of the butter cakes: Estepa. He was baptized in the Church of the Carmelites in that town, "but when I was 10 days old they brought me to Seville," he confessed to CAMBIO 16 in the first interview granted after winning the Andalusian elections. And he defines his family this way: "Of the lower middle class. My father worked all of his life, first as an administrator and later as a representative of a meat products company. And my mother came from a family of merchants in Estepa."

He is married to the socialist representative Ana Maria Ruiz Tagle, his university sweetheart. He has a 7-year-old daughter, Patricia, and he lives in a protected home in a modest area in the suburbs of Seville, although with his savings he was able to build a small house in the country near the olive groves, where he spends his summers.

For Rafael Escuredo the entire Andalusian electoral campaign passed in a multitude. There were times when it overflowed with emotion for him, as in Seville, when he was acclaimed by 50,000 people, and later, on election night, when he was united with Felipe Gonzalez in a long embrace. And finally, when he entered the junta data reception center to the chorus of "president, president." It was the end of a journey for that boy, who went from law school delegate in the 1960's to president of the Andalusian Autonomous Government.

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[Question] Have the PSOE [Spanish Socialist Workers Party] and Rafael Escuredo been so successful lately?

[Answer] There has not been a single party in Andalusia that has achieved our level of identification. The talk of the "party for all Andalusians" was the truth. The party has projected its policies of change and its Andalusian essence. And it has adopted the identifying characteristics of this people.

With regard to myself, I do not know how much time I have spent or how many gray hairs I have acquired. In these 3 years I have covered 300,000 km by car and I have averaged two and a half functions a day. In recent days I have spoken with 250,000 persons, and in these 3 years with more than 2 million Andalusians. But as now, face to face. Some will say that it was a marketing operation.

As a youngster Rafael Escuredo studied for his bachelor's degree in the French school. "It left its mark on me, because it was a tolerable education for the time." He then studies law, and his great obsession is to become a labor law professor. "But in 1968 Felipe calls me and he proposes to me and Ana Maria that we form an assessor's office for labor. We did it. I returned from my military service and we were married. There I said good-bye to the professorship."

Those were difficult times. "We repeatedly violated the principles of the vertical union. We had to put up with the incomprehension of labor authorities and police suspicions." But that was his political schooling, those 10 hard years, "I got to know the working Seville and the labor and political movement. The great mobilizations of the 1970's...."

That year he joined the PSOE, but he left it in 1972. "There was constant conflict with the exile; we were censured. I was in favor of breaking off, of ceasing to make policy from Toulouse. I made a mistake, but I recognized it. After 2 years I talked with Felipe and I returned.

[Question] Escuredo, a man with popular charisma who is always controversial within his party....

[Answer] That is true. I have been a social democrat, that is, a moderate since 1968, and I have always been a critical character within the party--perhaps because of my character or my upbringing. I continue to support a federal party, but in practical politics, in which different sensibilities are represented in the administrative organizations. I am not in favor of having the majority get everything.

[Question] It now appears that there is total agreement.

[Answer] Yes, after the Granada Congress, the first that I did not lose. That is why I decided to become a candidate. That congress was the most serious act of political generosity that the socialists at the national level have been able to perform. It was not an ideological problem, but one of incorporating a realistic rather than a shamefaced nationalism.

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[Question] And have the personal problems with party leaders been resolved?

[Answer] Questions of a personal nature are inevitable if there is mistrust. But I can say that I now feel comfortable within the party. There has been a phenomenon of personal integration and comprehension on the part of everyone.

Rafael Escuredo became a delegate for Seville on 15 June 1977, as did his wife. "In that the two of us first shared a pocketbook, then an office and now political life, that makes for total identification and understanding. Otherwise, the complex life style that we lead would be impossible. The fact is that for 20 years now we have been involved in the same things."

At noon his daughter Patricia, who attends the nearby German school, generally goes to the Junta to find him. She declared to CAMBIO 16: "I liked papa better when he was just an adviser, because he was home more and we went places a lot."

[Question] An absolute majority is a big responsibility for a government...

[Answer] I expect to govern Andalusia based on the responsibility and principles of the socialist program. But if the national government or the central administration attempts to withhold anything from our people or carries on a policy of obstruction, we will answer firmly and belligerently.

[Question] On that subject, can there be support in other autonomies?

[Answer] I have issued a call for the president of the government to convoke a meeting of presidents of autonomous and preautonomous entities so that a solidarity commitment may be worked out. That idea is necessary in order to consolidate the state. Heretofore the policy has been to put pressure on the state by taking advantage of crisis currents in conjunction with a weak government. That is why this affirmation is necessary. The state is all of us, and we should contribute without deceit to the concept of a united Spain.

[Question] Speaking of deceit, there is talk of autonomous entities that for certain have been spying on Rafael Escuredo in this campaign and that favor convoking a parallel summit behind the back of the government.

[Answer] I knew about the espionage. But I will have nothing to do with an underground game that could undermine the idea of a democratic Spain and of constructing the state comprised of autonomies--which should be built on the principle of solidarity and with absolute respect for the laws and the constitution, affirming, of course, that the principle of national sovereignty resides in the Spanish legislature.

This Rafael Escuredo is a different type of politician. And one must understand him this way: "Those who are involved in politics live in a sort of prison. It is something that I will not get used to. And I am not going to give up my freedom. Maybe that is a different style, but that is the way it is. If I feel like going out with my friends for something or to a disco, I do it. I am not prejudiced, because I am not the sort of politician who glorifies his own image, although I too know my own limits."

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He is also a politician known to be courageous. He was that at the peak of his triumph, "but I was that also, and facing the consequences, in 1979, when many were crying."

[Question] When will the Andalusians see that they are autonomous?

[Answer] It will not be possible to verify the change until the statute is full of the foreseen powers. At that time one can begin to use the means that are indicated in the statute as benefiting majority interests. Prior to that there will be a new policy, a new style. We will not govern by imposition or arrogance, but through the participation of the social and cultural sectors. And there will be a policy of immediate action in order that the central government can attend to the demands of our people.

[Question] Specifically, how will that policy and that participation be manifested?

[Answer] The participation will be manifested in many ways, especially in the creation of advisory councils in the various sectors: Agriculture, cattle raising, fishing.... We are going to make big changes in the area of education and culture. In the economic aspect one must launch a development plan, with the support of the financial institutions--Bank of Andalusia, savings banks and small and medium managers--and the social institutions, such as the unions.

Another area of negotiation is with the government, to assure that the general budgets are proportionate to the actual state of underdevelopment. The objectives are to avoid strikes, achieve growth in the gross internal product and create jobs. The increase in investment by the public sector should go into the infrastructure and services, and that of the private sector should be for production. Of the public sector investment, 35 percent will be dedicated to the creation of jobs.

Rafael Escuredo has few friends.

He cares little for sports. "I have never gotten around to practicing any of them, but now I play golf, although I am no 'Seve'. Indeed, I play pretty badly. I started to do it because I remember that as a youngster I played miniature golf, and an American friend recently gave me some clubs. At least I walk 8 km...." He likes American "adventure and entertainment" films, and he loves Mozart, "always Mozart." This is Rafael Escuredo, president.

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POLITICAL

SPAIN

STATE OF MILITARY HARDWARE, LEADERSHIP REVIEWED

Madrid CAMBIO 16 in Spanish 31 May 82 pp 36-40

[Text] An army that intends to renew its equipment and rejuvenate its command personnel will parade through Zaragoza this week to commemorate FAS (Armed Forces) Day.

These festivities were created by the democratic system so that the FAS, which defend territorial integrity, the constitutional system, and the safeguard of national sovereignty, may receive the homage of the people who put its ships and aircraft in the army's hands.

These services, which want to be loved and understood by society, must reduce their personnel expenditures, they must purchase firing ranges, they must improve military training plans, they must raise the level of specialization in their men, they must also elevate their economic level and redeploy their guns and tanks toward the country's real strategic objectives. A tall order indeed.

But what shape are the Spanish services in? What is their real firepower? The answer to these two questions was given to CAMBIO 16 confidentially by a reserve lieutenant general: "If Spain were to become involved in a military conflict with any Mediterranean country, our army would not even last 3 consecutive days of war."

The answer perhaps is exaggerated but not too much so. In any of the world's prestige navies ships are considered obsolete and antiquated after completing 25 years of service; in Spain, out of the 215,000 tons of shipping in the Navy, 118,000 are more than a quarter of a century old and another 33,000 tons, made up of the attack transports "Castilla" and "Aragon," built in 1958, are about to reach retirement age.

This means that 70 percent of the current fleet tonnage, made up of 114 warships, transport and landing vessels, would have to be replaced rapidly so that the Navy could maintain its current naval power.

The Air Force is in a similar situation. Most of the fighter-bombers on active duty have had more than 10 years of uninterrupted flying. And some of the most powerful aircraft, constituting the combat forces, the "Phantom" F-4C, come from "American aid." These aircraft were turned over to Spain half a dozen

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years ago in very bad condition after they had been employed during the wars in Vietnam and Cambodia, where they put in several thousand flying hours. .

The F-5 aircraft are also due for replacement. These aircraft, which can carry up to 4 tons of bombs and which can fly 1.5 times the speed of sound, were built on a license basis more than 15 years ago and, according to experts in the field, none of them would be able to withstand a clash in the open sky with any of the Argentine or British fighter-bombers now operating in the Malvinas Islands war.

The Army situation, with 255,000 men, 900 tanks, 600 armored vehicles, and several hundreds of pieces of artillery, looks even in worse shape. A good portion of the battle tanks consists of M-47 and M-48 tanks, the famous "Patton" tanks which were built by the Americans soon after World War II; in their case it was necessary to change the engine, the gun, and the aiming instruments so that they might continue to be operational. In spite of this, the "Patton" is an old tank which consumes many liters of fuel to move its almost 40 tons of steel; it does not have the mobility, the firepower, the armor, or the atomic protection of the modern German "Leopard II" tanks, the French AMX-32 tanks, or the British "Chieftain" tanks.

The mountain divisions and the Alpine brigade are in a similar situation; they are responsible for the defense along the Pyrenees border. The 52 AA artillery pieces, with 105 and 155 millimeter caliber, constituting most of the heavy weapons, are being shifted from one side of the mountain barrier to the other, that is, the barrier that separates Spain from France, on the backs of 600 mules and 250 horses.

Command Personnel

Armored troop carriers and the armament of other units are also old and deficient; the AA artillery has no electronic systems for fire control and is practically ineffective. "Hitting a ground-hugging aircraft with a 20-millimeter shell is almost as difficult as hitting an eagle in flight with a pistol," one gunner told CAMBIO 16.

Only the Brunete Armored Division, with headquarters in Madrid, is on the European level; its 250 AMX-30 battle tanks and its 270 tracked armored vehicles plus its 66 pieces of SP medium-ranged artillery give it a firepower and a mobility comparable to those of a similar French or Italian unit.

But the problem involves not only armament. The career command personnel of the FAS consisting of 69,991 individuals, according to the 1980 Military Statistical Year Book, make up a group of persons between 6 and 8 years older than their counterparts in any European army and at the same time do not attain their level of specialization.

In 1980 the Spanish Army had 1,328 generals (763 in reserve), 12,110 commanders, 22,313 officers, and 34,243 NCO's. The majority of the active-duty generals, according to the statistics in the Military Statistical Year Book, are more than 63 years old. The youngest one is over 58.

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These generals are responsible for commanding the nine captaincies-general, the unified commands of the Canary Islands and the Balearic Islands, as well as the commanders of all of the major Spanish military units.

"With all due respect for their person," said a major on the general staff, "their age does not enable them to spend two weeks on maneuvers out in the field, sleeping next to a gun, as their European 50-year-old counterparts are doing."

Since promotions are based on seniority, the aging of the military top command has an effect on the entire army. A man who graduates from the Academy as a lieutenant at 22 has to wait 9 years to get promoted to captain, another 12 years to make major, and another 8 years to reach the rank of lieutenant colonel.

This enormous slowness in promotions has produced some rather strange anecdotes. An Italian brigadier general was unable to believe until a short time ago that a Spanish comrade-in-arms, of the same age and with the same number of years in the army, is still a lieutenant colonel. The Spanish officer had a lot of trouble in convincing him that he had never been arrested for anything and that his failure to be promoted was due to the slow renewal of army command personnel.

Army career personnel enter the Military Academy at the age of 17 and after 5 years of physical toughening and a long process of learning the art of war, they come out as lieutenants with something like 70,000 pesetas in pay.

Promotions do not considerably improve their economic situation. A major with 21 years for pay purposes, married and with three children, makes less than 100,000 pesetas when on duty in Madrid. "The money is just enough to survive," he points out, "but there is no room for luxury."

Apart from low pay, career military personnel do not have much opportunity for promotion within the FAS. In 1979, only 58 out of the 69,991 career personnel or 0.07 percent took advanced training courses abroad to perfect their knowledge in electronics, information processing, radar, missiles, and aircraft and helicopter maintenance.

As a result of that, the Spanish Army's skill level is deficient beyond the limits of the kind of conventional warfare that was fought years ago. In 1979, only 218 career personnel were specialists in survival during a nuclear or chemical war and only 231 officers and commanders had taken the courses necessary to command a missile launching unit.

The low level of military career personnel in the FAS when it comes to coping with a modern war is not considered a serious problem.

"The serious topic," a captain told CAMBIO 16, "is that there is no money to buy missiles, radar, or electronic warfare equipment. Training personnel, once the equipment has been procured, is very easy."

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At any rate, in broad sectors of the army and civilian society, a structural strengthening of military training is considered very necessary to turn out the new military professionals who will be more in keeping with the current concept of war and of armies so that they may guarantee the freedoms of democratic societies.

Military Training

"An in-depth reform of military training," this magazine was told by an instructor at the Zaragoza Academy, "must involve the preparation of new curricula and the hiring of civilian instructors and professors by the military academies, as is happening in most of the Western countries, where military training is not the monopoly of the army alone."

What is the origin of career military personnel?

According to data published by the Ministry of Defense in a restricted report, out of the 652 cadets who entered the Zaragoza Military Academy in 1980 (38 and 39 graduations) 418 or 64.12 percent were the children of military personnel, 25 were the children of government officials, 50 came from self-employed circles, and the rest came from other social strata.

As for the place of origin, 125 cadets were born in the province of Madrid; 41 were born in Zaragoza and Toledo, two cities with a strong military background, and as many others were born in Cadiz and La Coruna, both of which are provinces with a strong military tradition relating to the navy.

When these future lieutenants finished their studies and get married, they will probably live in one of the 35,255 housing units or military barracks which the three services maintain throughout the country and where one out of every two career personnel will live. When they get sick, they will be taken care of in one of the 27 hospitals or one of the 24 private clinics contracted for by the FAS throughout national territory.

Medications will come from almost 100 military pharmacies which almost exclusively sell products bearing the emblem of the FAS while food will be purchased at military exchanges. If on top of this we mention the fact that the FAS have their own military clubs with rooms plus exclusive hotels throughout Spain and that, according to an unpublished official survey, more than 45% of career military personnel marry the daughters of fellow soldiers, we can say that the army is one of the most self-contained professional groups.

Career military personnel defend their position as follows. "We do not like to live in a 'ghetto'," a lieutenant told CAMBIO 16. "What happens is that, in spite of everything that has been written so far, the career soldier lives badly and cannot keep up with his neighbors. This is why, when he wants to take his lady out to dinner and dancing, he has to go to his own club, where prices nevertheless are not much lower than in any restaurant."

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In spite of low pay, more than half of the defense budget--specifically 51.9 percent--goes to pay career personnel.

This brings up a serious problem: After deducting personnel expenditures and the enormous amounts of money necessary to maintain the vast assets in terms of the installations, facilities, and materiel of the FAS from the defense budget, there is barely enough money left to purchase new weapons.

To alleviate this problem, the Parliament last May found itself forced to pass a Budget Allocation Law for the Armed Forces. This law will permit the implementation of an investment program which will place the FAS on the level of any European army.

The investment to be made over a period of 8 years, between now and 1990, comes to more than 2.5 billion pesetas, 2% of the gross domestic product, and is earmarked exclusively for the procurement of new weapons.

This means that, over the next 8 years, Spain will spend 1,000 million pesetas per day to rearm itself. This amount is not excessive, according to military experts, keeping in mind that a combat aircraft costs 1,000 million pesetas, a "Roland" AA missile costs about 60 million and an aircraft carrier costs more than 40,000 million.

This enormous effort, unprecedented in the history of Spain, will permit the Army to replace all of the equipment of the armored and mechanized divisions through the purchase of a new battle tank with atomic protection and great firepower, plus the procurement of new armored vehicles.

The new battle tank, which will be built in Spain, on a license basis, already has a name; it is "Iberia." Two countries are competing for the sale of the patent: Germany, with its "Leopard II," and France, with its AMX-30 of which Spain built an improved version now undergoing testing.

The Army's modernization will also involve its defense with the purchase of short-range missiles plus transportation and attack equipment, including about 100 new helicopters. The Signal Corps will also be boosted through the inclusion of an EW battalion, which will be responsible for jamming and obstructing enemy communications.

Aircraft Purchases

The Budget Allocation Law will permit the Air Force to purchase 144 multirole aircraft with a long action radius, capable of carrying 6 tons of bombs at twice the speed of sound. These aircraft, which we want to purchase, with spare parts for 12 years, must be completely maintained in Spain so that the country will not depend militarily on any other power in case of war.

There are two United States companies which offer the best terms for the sale of the future Spanish combat aircraft: McDonnell Douglas, which makes the F-18A-16, and General Dynamics, which builds the F-16.

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It is the intention of the Defense Ministry that 70 percent of the new fighter-bombers be built in Spain and that only the indispensable optical and electronic equipment. The Navy wants to carry out its modernization program on the basis of the Budget Allocation Law. In addition to finishing the aircraft carrier "Presupuestarias," which will enter service in 1985, the Navy hopes to build seven new frigates for the protection of shipping, two destroyers equipped for ASW, 12 missile boats, 12 minesweepers, and four landing ships.

The Navy furthermore needs to purchase new VTOL "Harrier" aircraft and new helicopters to replace some of its 80 aircraft, organized in eight squadrons, which constitute the Navy's most effective and rapid system for landing missions and for Marine Corps support missions.

Along with this display of armament, the Spanish Army will build a new maneuver area covering 25,000 hectares in the province of Ciudad Real and, according to NATO recommendation, a great effort will have to be made over the next several years to reduce its personnel.

While Spain in 1968 invested 61.8 percent of its budget to pay its army personnel, the French only spent 35.4 percent, the Italians spent 33.9 percent, and the British spent 40.2 percent.

In 1982, the personnel expenditures of the FAS, which have a budget of 403.990 million pesetas, was reduced to 51.7 percent.

The Defense Ministry reorganized the personnel structure of each service since NATO assigns much importance in Spain to the development of aviation and naval operations. The exact opposite, however, is happening right now: Out of the 342,000 men who, according to MILITARY BALANCE, make up the FAS, 255,000 are in the Army, 49,000 are in the Navy, and 38,000 are in the Air Force.

Spanish military leaders who maintain periodic contact with the supporters of the Atlantic system have arrived at the conclusion that the Army must also reduce the number of its captaincies--right now there are 9, plus the Balearic Islands and the Canary Islands--to four or five, according to the country's strategic concerns, and it must redeploy the forces of the Army.

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POLITICAL

UNITED KINGDOM

DEFENSE SECRETARY NOTT'S CAREER REVIEWED

PM251105 London FINANCIAL TIMES in English 25 Jun 82 p 18

[Malcolm Rutherford article: "Mr Nott's Changing Fortunes"]

[Text] Mr John Nott, the defence secretary, has begun to fight back. This week he published--unchanged--the annual defence estimates which had been prepared before the Falklands crisis. Next week he will defend his policies in the House of Commons.

Mr Nott used to be a rising star in Mrs Thatcher's cabinet, sometimes tipped to succeed Sir Geoffrey Howe as chancellor of the exchequer. He was chosen 18 months ago to replace Mr Francis Pym at the Defence Ministry because the latter was threatening to resign rather than further trim defence expenditure. Mr Pym felt deeply that the Tories had committed themselves in their election manifesto to a substantial increase.

Mr Nott went in as a manager, as someone loyal to Mrs Thatcher and ready to accept her brief that defence expenditure could be increased by no more than the NATO target of 3 per cent a year in real terms. He shared the prime minister's philosophy that the first priority of the conservative government was to restore the economy at home; defence and foreign affairs were secondary, though Mrs Thatcher's priorities may have changed slightly since the Falklands crisis.

For a time Mr Nott succeeded. He is--or was--one of those people who, like President Reagan, can make the light shine out of the prime minister's eyes. Last July he produced a defence review which was approved by the entire cabinet.

In the autumn things began to go wrong, as the Treasury sought to claw back some of the expenditure which it was thought had been agreed in the summer. This is a perennial exercise for which he should have been prepared, but it seems both to have surprised and pained him. Mrs Thatcher sided not with the defence secretary but with the chancellor.

Here is one particular example. Some savings had been worked out, but the Treasury was still demanding another 200m pounds. There had been an approach from the Australians about the new aircraft carrier HMS Invincible. The government was anxious to get back into the business of selling carriers and related equipment abroad. So it was agreed to meet the Treasury demand by selling the Invincible to Australia for some 175m pounds.

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Mr Nott says that he wanted to keep it, though admitting that some of the military advice which he accepted was that it was unnecessary to British defence. Anyway it was the sale of the Invincible which sowed more seeds of trouble to come, especially in the Tory Party and in the navy lobby--sometimes called the retired navy lobby.

Mr Keith Speed, the navy minister, had already resigned in protest against the naval rundown. There was a rising swell of opinion against Mr Nott in the Tory ranks. The culmination was the outbreak of the Falkland crisis, not only because Britain was forced to rely on the Invincible, which was due to be sold, and on other ships destined for the Knacker's yard, but also because of his disastrous performance in the fateful House of Commons debate on Saturday, April 3.

Mr Nott was unlucky. He was the closing speaker in a highly emotional session and was howled down, not least from his own side. (The speech does not read too badly.) Yet afterwards, when he and Lord Carrington, the foreign secretary, went to meet Tory MPS, his luck changed. It was the foreign secretary that they turned on. Lord Carrington is said to have decided on the spot that he must resign and the announcement duly came two days later.

Mr Nott learned the news on the Whitehall grapevine shortly before it broke. He responded by telephoning No 10 Downing Street and saying that his own letter of resignation was on the way. He was ready to go, but admits that he did not really expect the offer to be accepted, if only because it would have meant too big a cabinet reshuffle at a time of crisis.

Most of the rest is well known. The defence secretary became *ex officio* a member of the inner cabinet conducting the Falklands exercise. He gave one appalling television performance, trailing behind Mrs Thatcher during her "rejoice, rejoice" remarks after the recapture of South Georgia. In the House of Commons he was faltering. He also took the flak from the row between the defence correspondents and the Ministry of Defence over the coverage of the campaign. Some of the sniping at him came from Downing Street.

This week, however, he seems to have decided to go down fighting, possibly even to survive. Mr Nott has taken the initiative in two ways. First he persuaded his cabinet colleagues to agree to the publication of the 1982 defence estimates as prepared before the Falklands crisis. Second he went public after a meeting with the chancellor and the prime minister at which it was accepted, in general, that the defence replacement costs of the Falklands war would be borne by the exchequer without prejudicing the 3 per cent increase in defence spending or existing programmes in any way. The defence secretary said that was a firm agreement.

It was a daring act, for the replacement costs of the campaign are by no means established. As of early June, they are put at around 500m pounds in 1982-83 and perhaps 250m pounds in each of the two succeeding financial years.

Early June was early days: the full evaluation of the losses has still not been made. Also, the 500m pound figure does not include the cost of the garrison in the Falklands and cannot, because no one yet knows how large the garrison will have to be.

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The other item which is not included is the 175 million pounds or so which will have to be found for the defence budget if the Invincible is not after all sold to Australia, as political pressure in the Tory Party now seems to dictate. (Mr Nott suggested to the House of Commons select committee on defence on Wednesday that the Australians might be attracted to order a brand new carrier from a British yard, plus all the latest equipment that would draw on the lessons of the Falklands experience.)

By going public on the government's commitment to meet the replacement costs, the defence secretary seems to be pursuing two aims. One is to stop being messed about when it comes to the annual review of public expenditure, rather as he believes he was after the defence review last year. Mr Nott hopes that the Treasury will be obliged to stick to the commitment, almost whatever the cost. He is perfectly well aware that the agreement was only in principle, that it was uncostered and that the Treasury will seek to claw back. But he has tried to pre-empt.

The other aim is rather more subtle. The replacements for the Falklands losses, he said, will not necessarily be on a "like for like basis." In one sense that is a truism. It would be foolish to replace an old ship with a replica. Yet there is more to it than that.

There was already an argument going on, even before the Falklands crisis, about placing orders for new ships. The essential problem is that, under Mr Nott's defence review, the number of ships will be run down before new vessels are commissioned. Some of the Tory critics says that this decline in numbers will be positively dangerous. The defence secretary's response seems to be that that is a risk worth taking, if the country can get the right ships in the future.

The particular argument is about frigates--the existing type 22 and its designated successor the type 23. As this week's defence estimates state: The move toward the next generation of frigates--the type 23--"reflects our policy of replacing ships rather than undertaking mid-life modernization."

The type 23 would be smaller, cheaper and more all-purpose than the type 22, but the point lies in the equipment it would carry. It would be a simple platform for weapons systems. There is a plan for an Anglo-Italian helicopter which would go on board and which would be designed to hunt, find and destroy submarines, all in the same mission.

It is worth noting in passing that, for all their prowess in anti-submarine warfare, throughout the Falklands expedition the British forces never even located any of the main Argentine submarines. The Hermes, the Invincible, the QE2 were potentially prey to submarine attack at any time.

The trouble is that it would be much easier to order more type 22s. They could be built more quickly because the yards would be familiar even with a revised version. The first type 23 would be unlikely to be ready before 1988.

It would also be easier to go for more type 22s under the way the present financing of Defence Ministry spending works. The money tends to be allocated on a year-to-year basis. If it is not spent, it is claimed back by the Treasury.

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Mr Nott is under strong pressure to announce orders for more type 22s next week, probably during the defence debate, since there is some money in this year's budget. He cannot yet announce orders for the type 23 because the preparations have not been completed.

That is what lies behind some of his more cryptic statements of the past few days. He intends to resist the pressures to go for more type 22s and to use some of the Falklands replacement money to go for yet more type 23s in the longer term, though whether he will get away with it is another matter. He would like not to place the new orders until towards the end of the year.

There is the wider point of sticking to his original defence review. Mr Nott insists that it would be naive quickly to recast the whole of British defence policy in the light of one totally unusual and unlikely-to-be-repeated campaign in the South Atlantic.

The verities stand. These are that the principal military threat comes from the Soviet Union, mainly on the central front and the northern flank of Europe. It would be politically and militarily undesirable to cut back on British forces in Germany, and would not necessarily save any money.

The air defence of Britain is so thin that it is better not to talk about it. Thus, given the financial constraints, if cuts have to be made they had best fall on the navy. The best way of compensating for that is to try to make the navy more cost effective in future.

There Mr Nott's case seems to rest. His political future is uncertain. He has been heard to say--though one should be skeptical whenever politicians talk in this way--that he would not mind quitting politics altogether. Alternatively, he could be moved to another department.

Possibly the best development of all would be for that to happen and for a new secretary of state to come in and reach the same basic conclusions as Mr Nott's defence review. For Mr Nott, despite an engaging if at times infuriating personality, does have some defects. He has a very low boiling point.

More important, he is clearly not ready to tackle the central question of defence expenditure, which is why costs rise so fast and why expenditure is not better organised. He is not ready either to seek reform of defence tasks through NATO.

The most likely successors are Mr Michael Neseltine and Mr Peter Walker. Whoever it is might even have a new look at Trident, to which Mr Nott and Mrs Thatcher remain committed.

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MILITARY

FRANCE

BRIEFS

SNECMA'S TURBOJET--SNECMA [National Company for the Study and Construction of Aircraft Engines] is exhibiting jointly with Turbomeca a Larzac 04 turbojet engine putting the stress on the 04-C20 version, the more powerful one, whose stationary testing began in Bordes on 3 March 1982. This version with enhanced thrust (1,440 kilograms of thrust on the ground) is slated for the buyers of the Alpha Jet [training aircraft] for special flights (low-altitude penetration) or under adverse atmospheric conditions (heat, high altitude). The promised performance characteristics have been reached right from startup. The exhibit stand of SNECMA is decorated with photographs of its principal products: The CMF 5602, the CFM 56-3, the CF6-50, and the CF6-80 in the civilian aviation field; the M 53, M 88, Atar 9K 50, and Tyne in the military field. [Text] [Paris AIR ET COSMOS in French 15 May 82 p 49] [COPYRIGHT: A. & C. 1982] 2662

ANTITANK HELICOPTER ENGINE--At Turbomeca a mockup of the MTM 285-IR [sic--read, MEM 385-IR] engine is attracting attention: What is involved is an engine resulting from French-German cooperation with the MTU [Engine and Turbine Union, FRG] and slated to power the future PAH 2 antitank helicopter if this project is indeed implemented. While waiting for the government's green light, Turbomeca is continuing to study this engine, which now resembles the TM 333 except that it is more powerful. This engine can generate 1,230 horsepower thrust in maximum emergency, 1,110 horsepower thrust in emergency, 1,015 horsepower thrust on takeoff, while it can cruise on overdrive at 950 horsepower thrust (with a specific consumption of 235 grams of fuel per horsepower-hour). The announced mass is 160 kilograms. The MTM 385-IR succeeds the MTM 380, of which two prototypes were built but whose tests have been halted. [Text] [Paris AIR ET COSMOS in French 15 May 82 p 49] [COPYRIGHT: A. & C. 1982] 2662

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GENERAL

FRANCE

NATIONAL SPACE BUDGET CONCENTRATES ON SATELLITES

Paris LA RECHERCHE in French Apr 82 pp 437-438

[Article: "Three Billion Francs for Space Outlays in 1982"]

[Text] The French space effort in 1982 totals some 3 billion francs, that is, nearly 19 percent more than in 1981 (when it aggregated 2.5 billion francs). Most of this budget (2.5 billion francs) represents government subsidies while the balance (0.5 billion francs) consists of the funds of the CNES [National Center for Space Studies] itself.

The 1982 French space budget (2,953.7 million francs) is broken down among the portion allocated to the European program (951.6 million francs), bilateral programs with the United States, the Soviet Union, and the Federal Republic of Germany (475.9 million francs), the national program (628.7 million francs), the research and development program (95 million francs), and program support outlays (802.6 million francs), which includes the operating costs (422.6 million francs) of the CNES facilities in Paris, Evry, Toulouse, and Kourou [French Guiana].

This year nearly half of the space budget (1,245.1 million francs) is earmarked for satellites; the credits assigned to launchers, mostly Ariane rockets, being much more modest (290.4 million francs). Practical projects are nevertheless still highly favored (1,453 million francs) compared to [theoretical] science projects (298.7 million francs).

The French space program is now primarily devoted to building Telecom 1 telecommunications satellites (launching scheduled for the end of 1983), direct TDF 1 [French television network] television (1985), Spot 1 remote sensing (1984), and Spot 2 (1986), as well as the formation of the Spot-Image Company charged with the commercialization of remote sensing data. The CNES also plans to build a new French Sigma scientific satellite which would be launched at the end of 1985 at the time of the first flight of the Ariane 4 rocket. This gamma imagery satellite weighing 1.5 tons would be placed in an orbit ranging between 3,000 and 200,000 km.

The national research and development program is especially linked to the preparation of the future programs; the Star satellite-relay program, the automatic Solaris orbital station, the Hermes manned and recoverable space shuttle, and the cryogenic high-thrust engine (100 tons) for the future European Ariane 5 launcher which is scheduled to replace the existing rockets in 1994.

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The bilateral cooperation program is now dominated by the major French-Soviet projects under way. This means essentially the flight of the first French astronaut officially slated for the end of June 1982 and the Vega mission which calls for the launching of two automatic probes toward the planet Venus and Halley's comet in 1984. The other operations under way in the context of French-Soviet cooperation involve the Gamma 1 experiment (1982), the UFT satellite of ultraviolet spectrometry (1982), the Cosmos biosatellite carrying a primate (end of 1982), experiments on the Prognoz (1985), and another biosatellite (1984-86). But France and the Soviet Union also are readying a new exploration mission in the atmosphere of Venus to be carried out by balloons in 1988.

France's cooperation with the United States is especially evident now in the Argos program for the locating and collecting data, a program which has just been extended through 1990-91, as well as the Sarsat program for search and salvaging by satellite slated to get under way in March 1982. In the scientific field France's cooperation with the United States has been disturbed by the ISPM probes. Despite everything, however, an aeronomical experiment is planned with a Lidar mounted on top of an American U-2 reconnaissance aircraft in 1983, a high-resolution solar imagery experiment (ATRC) in 1984 and 1985, and an experiment in astronomy to be carried out with balloons in 1985. France also envisions cooperation with the United States in the preparation of future missions using satellites of the Explorer series (ultraviolet spectroscopy, planetology, etc.).

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GENERAL

ITALY

BIOGRAPHIC SKETCHES OF LEADING DC FIGURES

Milan PANORAMA in Italian 24 May 82 p 78

[Article by Filippo Lecarelli: "Ciriaco & Co."]

[Text] It is said at the DC that they have built a strong political machine. Now the old friends of the new party secretary are rewarded.

A refined intellectual. An all-purpose secretary. A former minister who is a very clever mediator. An economist. An heir apparent. They are all southerners, and all have known each other for years. This is the staff of the new secretary of the Christian Democratic party, the group of co-workers Ciriaco Di Mita will bring with him to Piazza del Gesu [DC party headquarters, Rome].

"They have been friends from the very beginning," they say at the DC. "Together they have drunk the bitter cup of being in the party minority for long years and together they have built, piece by piece, a strong political machine. Two weeks ago they ended their own long march."

Ciriaco's private secretary, Peppino Clemente, is a little, bald, and eager man. He is responsible for the ties between Rome and the Avellino province, the endless telephone calls with the mayors, and contacts with the leader's electorate. For all those persons who would wish to talk with De Mita, Clemente, a rather unostentatious person by nature, will continue as the number one person to go through at Piazza del Gesu.

The true "prince's counselor" will be Giovanni Di Capua, journalist and writer. With bald temples, like the DC secretary, about 50 years old, with a serious air and sober and courteous manners, he was formerly a friend and disciple of Nicola Pistellie, the ideologist of the DC left who was one of the founders of the faction called The Base. During his many years of service, Di Capua has managed the news agency of the Base group, Radar, and has even written a fine historical reconstruction of Italy's entry into NATO ("How Italy Joined the Atlantic Pact"), a book on the presidency of the Republic ("The Keys to the Quirinale"), and a dictionary of political terms ("Political Words") in which he sought to explain the origin of the jargon called "politicalesse." In 1978 he wrote the lines for a cabaret show at the Pescara Friendship Festival. Today he writes editorials in the

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Neapolitan daily, IL MATTINO, which is connected with the DC, and has become managing director of one of the two financial organizations which sought to take over the Vallecchi publishing house.

De Mita will obtain advice and counsel on economic questions from Gianni Zandano, university professor, president of INSUD [New Enterprises for the South], a financial agency connected with the Fund for Southern Development. For about two years Zandano was one of the few southern economists to have a regular column in the Turin daily, LA STAMPA.

Clemente, Di Capua, and Zandano will be the secretary's men behind the scenes. Instead, Riccardo Misasi, former minister of Education, and Clemente Mastella, a young deputy from Benevento who is Ciriaco's local heir apparent, will have official responsibilities. The first will replace Antonio Gava as head of the political secretariat, the second in all probability will assume responsibility for Spes [expansion not given], for propaganda and information.

Misasi, 50 years old, from Calabria, has been a friend of Di Mita since the time they studied at the Agostinianum college of the Catholic University of Milan. For years he has lived with his family in the same building occupied by the new DC secretary. Intelligent and taciturn, Misasi is a double-faced Christian Democrat: open and easy-going in Rome, he is harsh and arrogant in Calabria.

Clemente Mastella has dark eyes, is very friendly, and has a sharp tongue. He was born in 1927, is a former journalist of the RAI [Italian Radio and Television], and thanks to De Mita's help, he became a deputy at 29. He can be considered as the symbol of the Christian Democratic party's modernity, the man who serves as the link between the party and important sectors of the communications world.

But aside from the leaders whom he knows best, and also to counterbalance his staff's southern character, De Mita wants to use as his co-workers new persons to whom he can entrust key sectors of the new DC. Henceforth, Senator Giuseppe Tonutti, former president of the Savings Bank of Udine and Pordenone, will take over the party's disastrous finances, previously entrusted to the care of the former administrator, Filippo Micheli. Then, leaders of the left such as Tarcisio Gitti, deputy from Brescia, and promising deputies like Giovanni Gorio from Asti, or seasoned administrators of local organizations, like Marino Cortese, a regional counselor from the Veneto region, will be used to full advantage.

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